

# **Agricultural Feedstock Processing Demonstration Loan Program as administered by the Department of Economic and Community Development Guidelines**

## **Standards for the Agricultural Feedstock Processing Demonstration Loan Program:**

**The following standards have been adopted to allow the Department of Economic and Community Development and the Department of Agriculture to achieve objectives set forth by funding parameters:**

- 1. Maximum of \$500,000 per project will be established.**
- 2. Ultimate shareholder will be expected to meet normal thresholds used for prudent lending practices, good character, sufficient collateral, and reasonable assurance of payback of the loan proceeds.**
- 3. Program will expect an increase in Tennessee farm income and production of feedstock as stimulated by the ultimate shareholder.**
- 4. The ultimate shareholder will be required to specify acreage and volume of Tennessee produced feedstock utilized by the program. Minimum participation level threshold will be 200,000 bushels per year.**
- 5. Program will attempt to disperse funding throughout the Grand Divisions of the State of Tennessee.**
- 6. Program will look to leverage federal funds or other financial assistance to enhance project's success.**
- 7. The Department of Economic and Community Development will coordinate with the Alternative Fuels Committee and the Department of Agriculture in the review of each ultimate shareholder application to determine the terms and conditions on the project.**

## **Financing Policies:**

**The financing policies to be used will insure that the program funding addresses the project needs and achieves the goals set forth by the Alternative Fuels Committee and Department of ECD and Agriculture's strategy:**

- 1. Project participants will be ultimate shareholders and local community representative/organization.**

2. **Project requirements will determine Program participation level.**
3. **The maximum interest rate will be between 2% and the Prime interest rate being charged as quoted by the Wall Street Journal. The maximum term will be 7 years. Normal participation will be 80% loan-to-value (LTV).**
4. **The Loan and Grant Committee of the Department of Economic and Community Development will have authority to modify the terms of existing loans (renegotiate repayment terms or reduce/defer principal payments) with consent by the Department of Agriculture, when the ultimate shareholder may experience temporary financial difficulties or other extenuating circumstances.**
5. **Collateral will be expected to secure the loan funding.**
6. **The Agricultural Feedstock Processing Demonstration Loan Program will take any of the following collateral positions to secure the debt:**
  - a) **Insurance protection of pledged assets will be required.**
  - b) **Personal guarantees of the ultimate shareholder will be required unless authorized by the Loan and Grant Committee.**
  - c) **Leveraged projects will be governed by participation levels (pro-rata).**
  - d) **Life insurance on ultimate shareholders will be required.**
7. **Interest earned on the Agricultural Feedstock Processing Demonstration Loan Program loans will be returned to the program for financing of additional projects.**
8. **Administration grants may be allowed to assist in the application process at the discretion of the Loan and Grant Committee.**
9. **Special incentives may be applied to projects in Economically Distressed Counties.**
10. **Ultimate shareholders will be required to be in compliance with the Secretary of State's authorization and be in good standing to conduct business.**